

PROPOSED RESOLUTION

Resolution W-5205
WD

Agenda ID #17689

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5205
September 12, 2019

RESOLUTION

(RES. W-5205) SUBURBAN WATER SYSTEMS. ORDER AUTHORIZING SUBURBAN TO AMORTIZE THE 2018 AMOUNT OF \$304,567, OR 0.3% OF AUTHORIZED REVENUES, CONTAINED IN ITS TAX CUTS AND JOBS ACT MEMORANDUM ACCOUNT RELATED TO THE 2018 EXCESS ACCUMULATED DEFERRED FEDERAL INCOME TAX.

By Advice Letter No. 337 filed on July 30, 2019.

SUMMARY

This Resolution grants Suburban Water Systems' (Suburban) request in Advice Letter No. 337 the authority to amortize the 2018 amount of \$304,567, or 0.3% of authorized revenues, recorded in the Tax Cuts and Jobs Act Memorandum Account (TCJAMA) related to the 2018 excess accumulated deferred federal income tax (ADFIT) not reflected in rates for the period January 1, 2018 through December 31, 2018.

The 2018 balance of the TCJAMA will be amortized as a monthly bill credit based on the customer's meter size beginning on September 28, 2019 for a period of 12 months. The credit amount includes interest and is to refund the excess ADFIT related to 2018 revenue requirement not currently reflected in rates.

Meter Size	Surcredit
5/8 x 3/4	(\$0.17)
3/4	(\$0.26)
1	(\$0.43)

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Meter Size	Surcredit
1-1/2	(\$0.86)
2	(\$1.38)
3	(\$2.58)
4	(\$4.31)
6	(\$8.61)
8	(\$13.78)
10	(\$19.80)

BACKGROUND

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was signed into law which decreased the federal corporate income tax rate from 35% to 21% effective for the tax year beginning January 1, 2018.

On the same day, the California Public Utilities Commission (Commission) Water Division sent a letter to all Class A and B Water and Sewer utilities under its jurisdiction ordering the utilities to file Tier 1 advice letters to establish a memorandum account to track the impact of the TCJA on a Commission-jurisdictional revenue requirement not otherwise reflected in rates.

In compliance with the Commission's letter, on December 29, 2017, Suburban filed Advice Letter No. 326 to establish and implement the Tax Cuts and Jobs Act Memorandum Account (TCJAMA), which became effective on January 1, 2018.

On January 16, 2018, Suburban and the Public Advocates' Office filed their "Joint Motion for Official Notice of Facts" in Suburban's pending General Rate Case (GRC) proceeding, Application (A.) 17-01-001, requesting that the Commission take official notice of the TCJA, which was enacted into law on December 22, 2017, and the TCJAMA established by advice letter 326-W.

On January 3, 2019, in compliance with the "Amended Scoping Memo and Ruling of Assigned Commissioner Amending Scope and Extending Statutory Period" dated November 27, 2018 (Amended Scoping Memo), Suburban filed its "Motion for Transitional Rate Relief and Modification of Procedural Schedule" (Motion). The Motion informed the Commission of the impossibility of Suburban submitting supplemental testimony regarding the TCJA impacts related to ADFIT on such a short

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notice, i.e., by January 11, 2019 as directed by the Amended Scoping Memo. As Suburban informed the Commission at that time, Suburban was in the process of retaining an outside consultant to analyze Suburban's GRC tax information, a process projected to take approximately six months to complete.

On May 30, 2019, the Commission issued D.19-05-029, concluding Suburban's GRC A.17-01-001. Ordering paragraph 3.c in D.19-05-029 ordered Suburban to file a Tier 3 Advice Letter addressing the 2018 excess ADFIT by July 30, 2019.

NOTICE AND PROTESTS

In accordance with General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, Suburban served copies of Advice Letter 337 to adjacent utilities and other parties requesting such notification on July 30, 2019. In accordance with Water Industry Rule 3.3 (*id.*), Suburban also posted the advice letter on its website.

No protests were received in response to the filing of Advice Letter No. 337.

DISCUSSION

Suburban seeks authorization to amortize a total amount of \$304,567. This amount corresponds to a TCJAMA balance of \$200,355 of excess ADFIT from January 1, 2018 to December 31, 2018 not reflected in rates that has been grossed up¹, plus interest. The purpose of the TCJAMA is to track the impact of the TCJA on the Commission-jurisdictional revenue requirement not otherwise reflected in rates.

Water Division verified the TCJAMA balances by reviewing electronic copies of the original supporting workpapers from Suburban. Suburban correctly calculated the protected and unprotected ADFIT for 2018 based on the normalization provisions of the Internal Revenue Code.

After verifying the balances of the TCJAMA, Water Division reviewed the accuracy of the calculations for the surcredits. Suburban properly calculated the surcredits based on adopted customer counts from D.19-05-029 and subsequent approved advice letters. The surcredits will be disbursed over an amortization period of 12 months.

¹ Using the net-to-gross multiplier authorized in D.19-05-029, Appendix F, pg. 1 of 10.

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We concur with Water Division's findings that the TCJAMA balances and surcredits are accurate and conclude Suburban's request to amortize the 2018 excess ADFIT balance from the TCJAMA is reasonable.

AFFORDABILITY OF PROPOSED RATES

For a typical residential customer in Suburban's San Jose Hills Service Area with a 5/8" meter using 20 centum cubic feet (ccf)² per month, the average monthly bill will decrease by \$0.17, or 0.2%.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code section 311(g)(2) the otherwise applicable 30-day period for public review and comment is waived.

FINDINGS AND CONCLUSIONS

1. On July 30, 2019, Suburban Water Systems (Suburban) filed Advice Letter No. 337, pursuant to Decision (D.) 19-05-029, requesting amortization of the 2018 amount recorded in the Tax Cuts and Jobs Act Memorandum Account (TCJAMA) related to the 2018 excess accumulated deferred federal income tax (ADFIT) for the period January 1, 2018 through December 31, 2018.
2. The amount requested for amortization is \$304,567. This balance will be refunded to customers via a 12-month bill surcredit based on meter size.
3. The monthly surcredits to amortize the net amount of 2018 excess ADFIT are as follows:

Meter Size	Surcredit
5/8 x 3/4	(\$0.17)
3/4	(\$0.26)
1	(\$0.43)
1-1/2	(\$0.86)

² 1 ccf is equivalent to 748 gallons.

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Meter Size	Surcredit
2	(\$1.38)
3	(\$2.58)
4	(\$4.31)
6	(\$8.61)
8	(\$13.78)
10	(\$19.80)

4. The TCJAMA tracks the impact of the Tax Cuts and Jobs Act (TCJA) on Commission-jurisdictional revenue requirement not otherwise reflected in rates.
5. No protests were received for Advice Letter No. 337.
6. Water Division finds the balances of the TCJAMA and the resulting surcredits to be reasonable.

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THEREFORE, IT IS ORDERED THAT:

1. Suburban Water Systems is authorized to amortize the excess accumulated deferred federal income tax (ADFIT), a total of \$304,567, for the period January 1, 2018 through December 31, 2018 through a monthly bill surcredit over twelve months based on meter size as follows:

Meter Size	Surcredit
5/8 x 3/4	(\$0.17)
3/4	(\$0.26)
1	(\$0.43)
1-1/2	(\$0.86)
2	(\$1.38)
3	(\$2.58)
4	(\$4.31)
6	(\$8.61)
8	(\$13.78)
10	(\$19.80)

2. Suburban Water Systems is authorized to file supplemental tariff sheets to Advice Letter No. 337 within five days of the effective date of this Resolution, reflecting the surcredits authorized in Ordering Paragraph 1 and to concurrently cancel its presently effective Rate Schedules. The Rate Schedules shall be effective September 28, 2019.

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This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 12, 2019; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

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